

Message Text

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TAGS: EAGR, EPAP, TU, US

SUBJECT: 1976/77 MANIPULATED TOBACCO MARKET

1. RESISTANCE OF SOME TRADITIONAL MAJOR CUSTOMERS TO ENTERING 1975 MANIPULATED TOBACCO MARKET (WHICH FORMALLY OPENED SZUT 1) ENDED DECEMBER 6 WITH AMERICAN TOBACCO COMPANY DECISION TO ENTER MARKET AND PURCHASE 1,435 TONS OF AEGEAN AMERICAN GRADE LEAVES AT CAN \$3.6505 PER KILOGRAM FOB. FOLLOWING ATC, BRITISH-AMERICAN TOBACCO COMPANY AND SOCOTAB (SUBSIDIARY OF P. LORILLARD) ENTERED MARKET AND PURCHASED 4,420 TONS AND 766 TONS OF VARIOUS GRADES OF TOBACCO RESPECTIVELY.
2. OTHER US AND WEST GERMAN COMPANIES STILL HOLDING BACK,

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PROBABLY WAITING FOR MORE FAVORABLE CONDITIONS (SEE PARA 3 BELOW), WHILE SOME EAST EUROPEAN AND SOUTH KOREAN BUYERS REPORTEDLY HAVE MADE VERBAL COMMITMENTS WITHOUT OFFICIAL REGISTRATION.

3. BUYERS' RELUCTANCE ORIGINATES FROM (A) LARGE PURCHASES IN 1975/76 WHICH BUILT UP RESERVE STOCKS, (B) 1976 TOBACCO CROP IS EXPECTED TO REACH RECORD OF 276,000 TONS GIVING EXPECTATION OF LARGE SURPLUS (AND CONCEIVABLY LOWER PRICES) NEXT YEAR, (C) TURKISH MINIMUM EXPORT PRICES FOR TOBACCO, THOUGH MAINTAINED AT LAST YEAR'S LEVELS, WERE HIGHER THAN OTHER COUNTRIES.

4. BUYERS STILL ABLE, HOWEVER, TO REDUCE ACTUAL PRICE TO

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US \$3.58/3.60 PER KILOGRAM, \$.13 TO \$.15 BELOW OFFICIALLY

SET MINIMUMS, BY PAYING WITH CANADIAN DOLLARS, (LAST YEAR BUYERS REDUCED COST BY PAYING IN BELGIAN FRANC OR WEST GERMAN MARKS.)

5. IN RELATED DEVELOPMENT, TO PREVENT FLOW OF WEAK CURRENCIES INTO TURKEY AND PROTECT LOCAL BUSINESSMEN AGAINST LOSSES FROM CURRENCY ADJUSTMENTS, MINISTRY OF COMMERCE REDUCED VALIDITY OF EXPORT LICENSES FROM 90 DAYS TO 30 WORK DAYS. BUYERS THUS

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HAVE CURRENCY EXCHANGE RATE GUARANTEE OF ONLY 30 WORK DAYS IN WHICH TO SELECT ADVANTAGEOUS CURRENCY AND COMPLETE REGISTRATION FORMALITIES.

6. LOCAL SOURCES BELIEVE THAT EVEN AFTER ANTICIPATED PURCHASES BY SOVIET UNION, JAPAN AND OTHER COUNTRIES MERCHANTS WILL BE LEFT WITH SOMEWHERE AROUND 10,000 TONS UNSOLD MANIPULATED STOCKS.

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